



# New Jersey State Employees Deferred Compensation Plan **News**

<http://www.state.nj.us/treasury/pensions/fact32.htm>

August 2004

Division of Pensions and Benefits

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## The Benefits of Planning for Retirement

**W**hether you believe the experts who say Social Security won't be around in a few years, or the experts who say it will, research shows that even if it is around, its benefits may not be enough to see you through. According to the Social Security Administration, average monthly benefits at the end of 2002 were \$1,008 for a 65 year old man and \$774 a 65 year-old woman. Clearly, you would need to supplement this amount of income to live comfortably in your retirement. In 2003 and 2004, as in earlier years, the Social Security Administration recommends that to maintain your current standard of living, your retirement income should equal about 70 percent of your pre-retirement income. Of course, everyone's situation is different, and how much you need to set aside depends on your personal goals and lifestyle choices.

Health care expenses, as well as the cost of health insurance, continue to climb and may increase as you grow older. You'll need to have enough money to take good care of yourself so you can enjoy the freedom of your retirement years.

Of all the factors that must be considered, the amount of time you have to save for retirement and your tolerance for risk are the most influential in determining what types of investments to consider. You should determine how willing you are to take greater risks to achieve greater returns on your investments. If you are young, you can consider the investments that are designed to take greater risks to achieve greater results over time. However, as you approach retirement age, you should try to avoid risk and focus on income, safety, and preservation of capital.

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## Why Save?

**A**ccording to the Social Security Administration the average life expectancy in the U.S. for a person who reaches the age of 65 in 2003 is an additional 17.5 years or to age 82.5. By gender, men who made it to age 65 could expect to live an average of 16 more years, and women an even longer additional 20 years. That's a long time to live if you haven't adequately prepared yourself financially.

Despite the seeming complexity of retirement planning — and no matter what stage of the retirement planning process you may be in — we believe you can increase your odds of success by following some simple, fundamental guidelines:

**Plan.** You need to create a retirement plan that addresses your goals — and a savings and investment strategy that can help you achieve them. Without goals and a plan, there is little chance of success.

**Start Now.** The best answer to "when should I start saving?" is "Now!" because the sooner you start, the more time you have to work to your advantage in building the capital you'll need for a financially secure retirement. If you feel you should have started earlier, don't despair — just get started today. If you don't, you may find yourself amongst the 54 percent of Americans over age 65 who live on less than \$15,000 a year, according to 2001 income data issued by the U.S. Bureau of the Census.

**Commit to Saving.** Making a commitment to save regularly, through thick and thin, helps you to stay on track throughout your employment years. A way to increase the amount of savings is to raise the amount that you save every time your earnings increase. This can lead to substantial savings over time.

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## Why Save? *(continued from previous page)*

**Diversify.** By diversifying your investments in the available investments funds, (Bond, Equity cap, money market, and small cap), you may be able to reduce your risk and get higher returns.

**Plan Defensively.** Accumulating assets is as much protecting yourself from financial catastrophe as it is saving and investing. Be sure that you properly protect yourself against the risk of unforeseen events that can cause a substantial financial drain — disability, death, personal liability, and loss of property, for example.

The bottom line is that you need to start saving and

investing as soon as you can. Act now: make a plan, stick to it, and ask for help if you need it.

**Know When to Take Distributions.** You must take your first distribution by April 1 of the year after you reach age 70½ or separation from employment (whichever is later). If you take your first distribution between January 1 and April 1 of that year, you must take your next distribution on or before December 31 of the same year. For each year that follows, you must take your minimum distribution on or before December 31.

## Investment Fund Summaries Available on the Internet

**P**lan members can view the New Jersey State Employees Deferred Compensation Plan's Investment Summary on our Web site.

The Investment Summary, which has been updated as of June 30, 2004, describes investment objectives, risks, and other information for each of the plan's investment options. This information can be used to help you decide between the investment options offered in relation to your investment goals.

The Investment Summary is updated each calendar quarter and is posted to the plan's Web site with a link from the Deferred Compensation Plan home page at:

[www.state.nj.us/treasury/pensions/fact32.htm](http://www.state.nj.us/treasury/pensions/fact32.htm)

## NJ Deferred Compensation Plan Board Meetings

**T**he Plan's Board, consisting of the State Treasurer, the Commissioner of the Department of Banking and Insurance, and the Director of the Office of Management and Budget, meets every other month to review the Plan's operations. The scheduled dates for meetings of the Board are the second Tuesday of February, April, June, August, October, and December. Meeting dates may, however, be changed at the Board's discretion.

Meetings begin at 10:00 a.m. in the Board Room at the offices of the New Jersey Division of Pensions and Benefits, One State Street Square, 50 West State Street, Trenton, NJ. All meetings are conducted as an open, public meeting in compliance with applicable State laws. The Board Chairman or a majority of the Board Members may call additional meetings.

### The N.J. State Employees Deferred Compensation Plan News Division of Pensions and Benefits

This newsletter is published quarterly to provide news and information to members of the New Jersey State Employees Deferred Compensation Plan. The information presented in this newsletter reflects the current practice and policies of the Division of Pensions and Benefits as it administers its programs. If there are discrepancies between the information presented here and the law, or regulations, the latter will govern. If you have questions or comments, please contact:

#### Deferred Compensation Plan News

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